

**Lost Opportunities:**  
**The Budget for the Seattle Meeting of the World Trade Organization**  
**Report of the Citizens' Advisory Panel on WTO Invitation, Part Two**  
*September 14, 2000*

This is the second and final section of the report of the citizen's panel convened by the Seattle City Council's Accountability Review Committee to look at the decision to host the WTO Ministerial Conference. Part One was delivered to the Committee on June 29, 2000.

**I. Introduction**

**Panel Charter**

The Seattle City Council established the World Trade Organization Accountability Review Committee (WTO ARC) to create a documented account of the events of the 1999 World Trade Organization (WTO) Ministerial, evaluate the "lessons learned" and recommend possible legislation or policy changes to the City Council. Three citizen panels, corresponding to the three main areas of inquiry, were established to direct the review and interpret documentary and testimonial evidence collected by the WTO ARC staff.

**The formal charge to Panel One, the WTO Invitation Panel, from the Committee was to examine Seattle's decision to host the WTO Ministerial. The Panel was asked to review informal and formal contacts by officials of the City and other agencies to determine what lobbying, negotiations and briefings took place and what agreements were reached. The Panel was also asked to explore the following issues:**

1. The date when the possibility of hosting the WTO Ministerial meeting was first known to City officials, the identity of persons involved in those contacts, and the nature of their contacts.
2. The identities of all City, county, state and federal employees, and others who participated in the decision to seek to have the City of Seattle serve as host city for the WTO Ministerial meeting.
3. The participants, dates, places and duration of all meetings involved in seeking to become host city.
4. The roles played by city, county, state and federal officials, and private individuals and organizations, and any contacts with non-U.S. nationals that preceded the decision for Seattle to host the WTO.
5. The criteria, judgments, and bases used in making the decision to host the WTO.
6. Details of any budgets, estimates, spreadsheets, or predictions about the costs or fiscal impacts of hosting the WTO meeting, and how those costs would be borne.
7. The questions or deliberations about fiscal or legal responsibility for the WTO Ministerial meeting, the results of those deliberations, and the nature of any assurances made by any city, state, or federal officials about financial responsibility or the possibility of reimbursement.
8. The texts of all correspondence, agreements and communication between city officials or employees and the Seattle Host Organization (SHO), the WTO, and any county, state or federal agency, including Congress, the Department of State and the White House.

In the course of conducting interviews and reviewing documents provided by staff, the Panel identified several key issues around which to focus their recommendations:

- ⇒ The timing and nature of the City of Seattle's commitment to expend City resources in hosting this conference;
- ⇒ Budget assumptions made at the time the commitment was made;
- ⇒ The process through which the City of Seattle made the commitment;

⇒ The identities of individuals and organizations making financial commitments to host the WTO.

## II. Findings

The evolution of the World Trade Organization Ministerial budget from December of 1998 to December of 1999 is outlined below and in the timeline included in Appendix A.

<i>Evolution of the budget for the 1999 WTO Ministerial.</i>			
Source of funds	Type of Expense	Dec. 1998 Budget <i>Dollars in Millions</i>	Dec. 1999 Actual Costs (estimate) <i>Dollars in Millions</i>
Seattle Host Organization	Facilities & Trans.	\$2.39	\$1.93
	Hospitality & Other	\$4.35	\$3.91
	Security	\$1.5	\$0.46
City of Seattle	Security (police)	\$0	\$6.873
	Other	\$0	\$2.425
Federal Government	Local costs	\$0	\$0.900
State of Washington	Facilities	\$1.0	\$0.970
Other Local Government	Security	\$0	\$6.854
<b>Total</b>		<b>\$9.24 million</b>	<b>\$24.322 million</b>
(Costs for 1999 do not include any legal costs or settlements related to the WTO conference, or any costs incurred by businesses in downtown Seattle. The 1998 projected budget is taken from material provided by the Seattle Host Organization.			
Expenses listed in 1999 are taken from city budget documents and estimates provided by the Seattle Host Organization. The 1999 costs include in-kind expenditures solicited by the Seattle Host Organization.			
Security costs include Seattle's total cost, and a \$320,000 payment made by the Seattle Host Organization to defray those costs.)			

As preparation for the conference got underway, planners failed to define the real costs and sources of income. Each organization had different reasons for not completing a responsible financial analysis of the event. At the same time, the fragmentation of the planning and budgeting responsibility made it easier for organizations to avoid responsibility for the status of the overall project.

Three factors explain the failure of public officials to confront the security costs for the event:

1. The World Trade Organization Ministerial was an unknown event in terms of size and logistics. Its real complexity was revealed slowly in late 1998 and early 1999.
2. As the size of the event became clearer, those who should have been sounding alarms had an interest in minimizing looming problems. Among other examples, the Seattle Police Department never definitively warned city officials that its resources were inadequate to cope with the threatened protests. The mayor's office avoided confronting the event's growing claim on taxpayer resources. Federal officials failed to vigorously express their concerns over the confused planning process.
3. Officials did not heed the historic references of opposition to the WTO (civil disturbance) and related security costs.

A review of the organizations involved and their role in the process follows.

## **The Seattle Host Organization/Washington Council on International Trade**

### *The bid process*

The Seattle Host Organization (SHO) was created by the Washington Council on International Trade (WCIT) to undertake the planning for the conference. The first budget shown above was created by WCIT and sent to the U.S. State Department as Seattle's bid to host the conference. That bid lists the items noted above and then goes on to say that the WCIT will cover “whatever the actual costs on each item are.”<sup>1</sup>

That letter was dated December 16, 1998, and at that point that WCIT did not have a good grasp of the actual costs that would be associated with the meetings.

During the previous months of negotiations, it had become clear to the individuals working on the bid that neither the World Trade Organization, nor the U.S. State Department, had a reliable list of what would be required to host the conference. Requests for meeting and office space had changed significantly in the course of discussions with the WTO and the State Department. By the time the bid was prepared, WCIT, and officials from the Seattle/King County Convention and Visitors Bureau, reported that they were not working with a reliable list of requirements.<sup>2</sup>

The solution for WCIT was to itemize expenses as best it could<sup>3</sup> and to commit to paying for any other expenses that might arise as the planning evolved. That surprising commitment was apparently based on the conviction that there was sufficient private support to raise more than the \$9.2 million listed in the bid letter<sup>4</sup>, and that an open-ended offer would be more attractive to the selection committee in Washington D.C.

As it turned out, both the federal agencies involved and the World Trade Organization had been underestimating the requirements for hosting the conference, and the Washington Council on International Trade had overestimated its ability to raise money. It (through the SHO) ultimately raised roughly half of its original \$9.2 million target.<sup>5</sup>

Accounts from those involved in the bid process suggest that WCIT was willing to forgo placing any financial limits on its commitment because it felt that doing so would make its bid less attractive.<sup>6</sup> But the

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<sup>1</sup> Letter from Patricia Davis and Kathleen Paxton to John Dieffenderfer, December 16, 1998 (“The Seattle Host Committee will cover whatever the actual costs on each item are.”)

<sup>2</sup> Interview with Kathy Paxton, April 17, 2000, p. 14 (“But we could never get specific information out of John Dieffenderfer or the WTO about what they needed to manage the conference. We knew what we could offer in terms of local hosting, but for us to come up with their budget for their meeting seemed awfully unfair and put us in a position of bidding on something that was hard to identify.”)

<sup>3</sup> Interview with Kathy Paxton, April 17, 2000, p. 14 (“So Barbara and Pat and I sat down and started grinding through projections on everything we could think of that it would cost to run this meeting. And then Pat and her committee decided which of those things the SHO would agree to cover.”)

<sup>4</sup> Seattle Host Committee Proposal: 1999 WTO Ministerial Meeting, Core Needs (Balance sheet attached to letter from Patricia Davis and Kathleen Paxton to John Dieffenderfer, December 16, 1998)

<sup>5</sup> Interview with Ray Waldmann -- 7/10/00, p. 3 (“But the cash we collected was probably on the order of, oh, \$4 to \$5 million.”)

<sup>6</sup> Washington Council on International Trade’s Response to the Panel One Report to the Seattle City Council’s WTO Accountability Review Committee, Attachment C: WCIT Rebuttal of Specific Findings by Panel One, p. 8 (“In the

failure to require a clear projection of the requirements meant that WCIT and all its partners in conference planning were exposed to a good deal of risk.

### *Security planning*

In preparing the bid in December of 1998, the WCIT was effectively budgeting not only for itself and the convention center, but also for the City of Seattle. Individuals working on trying to sell Seattle to the selection committee came up with an estimate of \$1.5 million for security costs. Documents suggest that the amount was based on city costs for the APEC meetings, held in 1993.<sup>7</sup>

WCIT had determined that security issues were the city's responsibility, but that it should attempt to reimburse the taxpayer costs. It is not clear whether the \$1.5 million was intended to be the cap on the amount of the reimbursement, or whether WCIT's open-ended financial commitment might have extended to covering higher security costs. In any case, the city never asked WCIT for any additional support.

There is no evidence of any city involvement in the development of that \$1.5 million estimate. Instead, it seems to have been part of the overall "rough estimate" calculation that went into the December 16, 1998 bid.

The budget part of the bid process was not done with a great deal of detailed care, in part because the requirements were vague, and in part because it was only a bid, and no one felt confident at the time that Seattle would be selected as the site for the conference. But when Seattle was selected, in January of 1999, it was based on an open-ended financial commitment from WCIT, and an apparent cap of \$1.5 million on reimbursable security costs.

## **The Seattle Mayor's Office**

The Seattle mayor and his staff, and the Office of Intergovernmental Relations, were involved in promoting the conference and budgeting for it from the beginning. But they failed to require the kind of financial analysis that might have protected Seattle's taxpayers from expenses that they will ultimately end up paying.

### *Promoting Seattle to the WTO*

The Mayor's Office played an active role in helping to bring the WTO to Seattle, in the same way that it would be expected to assist in bringing any large event to the city. The mayor served on the Seattle Host Committee<sup>8</sup>, lending the city's support to the bid, wrote letters supporting Seattle as the site for the conference<sup>9</sup>, and met with visitors from the State Department and the WTO in Geneva who were considering Seattle as the host for the meeting.<sup>10</sup>

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absence of specific information from the federal government and the WTO, the SHC proposal's broad language was intended to convey the flexibility of the Seattle group to meet the hosting needs of the State Department.")

<sup>7</sup> Seattle Host Committee Proposal: 1999 WTO Ministerial Meeting, Core Needs (Balance sheet attached to letter from Patricia Davis and Kathleen Paxton to John Dieffenderfer, December 16, 1998)

<sup>8</sup> WTO Site Selection Team Visit: Seattle Organizing Committee Meeting, August 28, 1998 Agenda

<sup>9</sup> Letter from Paul Schell to President William Clinton, August 24, 1998

<sup>10</sup> World Trade Organization 1999 Ministerial Meeting: Site Inspection Itinerary: November 12-14, 1998 (On Thursday, November 12 at 6:00 p.m. lists a "Meet and greet by Mayor Paul Schell" of visiting officials.)

The Office of Intergovernmental Relations served as the mayor's staff in those promotional efforts, staying in touch with the key individuals at the Washington Council on International Trade and identifying issues that might help or hurt the city's bid.

Whether because all the effort was focussed on promoting the city as the conference location, or because officials believed that Seattle's odds of being selected as host were small, there is no record of any city official expressing concern or interest about the potential costs to the city. The only memo concerning financial matters is one from the Office of Intergovernmental Relations to the mayor. It notes that he should avoid bringing up financial issues with a representative of the State Department, because the State Department was still unhappy over funds taken from its budget to reimburse Seattle for APEC costs.<sup>11</sup>

Financial issues are a recurring topic in correspondence from the State Department, and those letters show some confusion about the division of financial responsibility. For example, John Dieffenderfer, who was in charge of site selection for the State Department, wrote that security and other costs “are the sole responsibility of the city, and you should not look to the U.S. government for any assistance/relief.” He and other federal officials continued to see the bid as coming from the City of Seattle, in part because of the presence on public officials on the Host Committee and in the lobbying efforts.

City officials saw the bid process as a private initiative that had support from the city. The Washington Council on International Trade apparently believed that the active involvement of public officials meant that it had tacit approval to commit the city to acting as host for the conference.

#### *Promoting the WTO in the city*

One of the reasons given for the lack of budget scrutiny during the bid process was that the city might well not have been awarded the event and city officials were working on other, more pressing, issues. Once Seattle had been selected to be the host for the conference, officials viewed the bid that had been sent in by the Washington Council on International Trade as the defining document.

The \$1.5 million promised to defray security costs was treated as a fixed amount and officials in the Office of Intergovernmental Relations began looking at ways to obtain federal support to fund additional expenses (despite the State Department’s opposition) and at ways to estimate total city costs.

It should be noted that the Seattle City Council had rejected a bid for the Olympics in December of 1998.<sup>12</sup> The council had the opportunity to reject that bid because it required a formal resolution of support from the city – something that the council refused to provide. In the case of the WTO, the invitation went out from a private organization and no formal city action was required.

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<sup>11</sup> Memo from Clifford Traisman and Keith Orton to Paul Schell re: Brief meeting with the WTO site selection team, November 10, 1998 (“Some State Department officials are still angry about the fact that after the APEC meetings, the Seattle congressional delegation attached a rider to the State Department’s budget reimbursing Seattle for about \$1.7 million in security costs. We don’t want to bring up the subject, but if anyone asks about it we can point out that APEC involved 13 heads of state who traveled in motorcades.”)

<sup>12</sup> Seattle City Council Resolution 29876, Adopted December 14, 1998 (“A Resolution affirming the Seattle City Council’s letter of October 19 declining to put forth a resolution in support of a 2012 Summer Olympics bid, and requesting that the Puget Sound Regional Council (PSRC) Executive Committee not hold a vote as the local body for an Olympics bid.”)

If council approval had been required for the WTO meetings, it is not clear what the outcome would have been. The actual cost to the city would have been a key issue and that was still vague in the first two months of 1999. By early March, 1999, estimates were that the total cost for security would be \$3 to 4 million.<sup>13</sup> The goal, as described by the Office of Intergovernmental Relations, was to find a mechanism for obtaining federal aid to cover the costs that were in excess of the \$1.5 million.

Shortly after the announcement regarding the selection of Seattle, the office of the U.S. Trade Representative (USTR) asked for a memorandum of understanding (MOU) that would detail the division of responsibilities and expenses involved in preparing for the conference.<sup>14</sup> The proposed draft clearly showed that the Trade Representative's office, like other federal agencies, had misunderstood and assumed that the bid submitted represented a commitment on the part of the city. The MOU draft, which would have required council approval, asked for commitments in areas like hospitality, where the city is legally unable to support private organizations.

After consultations with the law department, the Office of Intergovernmental Relations began negotiating with the USTR, and those negotiations continued clear into November without producing a satisfactory document.<sup>15</sup> Any agreement, with federal agencies or the Washington Council on International Trade, would have likely required city council approval. The mayor's office may have been concerned that a formal council review of the WTO proposal would invite public criticism.

Through the first three months of 1999 expenses and potential income were vague. In a city council briefing at the end of March, the event was portrayed as ideally costing the city nothing, assuming that the federal and private funding sources work out. Councilmembers did ask at that point for some firm agreements to pin down the possible sources of funds, but the Office of Intergovernmental Relations did not act on that request.

There is no indication that anyone from the mayor's office or any of the city departments working on the conference ever asked the Washington Council on International Trade if it could provide more reimbursement to cover the city's rising costs. There is also no indication that anyone ever asked the Washington Council on International Trade for an agreement or for any sort of bond or guarantee that would have ensured receipt of the \$1.5 million pledged.

Throughout the spring and summer of 1999, the potential costs of the event increased and the private fundraising effort faltered.<sup>16</sup> There were reports that the money promised to defray security costs was in jeopardy. At the end of August, 1999, the director of the Seattle Host Organization wrote to the city, saying that fundraising was behind and that the city could be paid only after all other creditors had been satisfied.<sup>17</sup> There is no indication that anyone from the city ever objected to that announcement or made any attempt to force the private organization to fulfill its commitment.

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<sup>13</sup> Memo from Doug Carey to Linda Cannon re: Preliminary estimate of WTO costs, March 17, 1999.

<sup>14</sup> Agreement between USG and Host City [draft], February 2, 1999

<sup>15</sup> Confirmed by USTR, July 17, 2000

<sup>16</sup> Email from Doug Carey to Greg Petersen, Bob Vogler and Joan Walters re: WTO update, August 18, 1999 ("The Host Committee is also falling far short of their fund-raising goal. Bottom line: We shouldn't count on any of the projected \$1.5 million to cover SPD costs.")

<sup>17</sup> Letter from Ray Waldmann, SHO Director, to Dick Reed, August 31, 1999 ("If the SHO is obligated to incur any such costs (for magnetometers or for drapes), they will have to be deducted from the amount available for transfer to local security agencies.")

The mayor's office clearly did attempt to keep city expenses as low as possible. In early August, 1999, after various reports of large demonstrations headed for Seattle, the deputy mayor met with budget officials and determined that the security budget would be reduced, since fewer heads of state were scheduled to attend the conference.<sup>18</sup> There may have been ongoing concern over an adverse reaction from the city council: As one official from the Office of Intergovernmental Relations put it in a memo, "The Mayor presents his budget next week and we are steeling for a possible issue made out of WTO security costs. If not now then perhaps later."<sup>19</sup>

### **The Seattle Police Department**

The mayor's office has insisted that throughout the planning process it relied on the Seattle Police Department for honest estimates of the cost of providing security. Senior police officers involved in the planning support that contention. But for whatever reason, everyone who has reviewed the security planning for the event has found it woefully inadequate.<sup>20</sup> The chief criticism has been the failure to bring in a sufficient number of officers from other agencies, a failure that the Seattle department's "after action" report attributes to an inadequate budget.

It is clear that the Seattle officers did believe that the conference could be handled with a more modest response than other law-enforcement professionals predicted would be necessary.

The first record of any Seattle Police Department involvement in the WTO conference is in early October of 1998, when three officers met with representatives of the WTO and the State Department, who were in Seattle on one of their site selection visits.<sup>21</sup> Other participants in those meetings say that the delegation did bring up riots in Geneva during the previous WTO conference<sup>22</sup>, but no one in the Seattle Police Department recalls any mention of those riots until after March of 1999. That pre-bid meeting was apparently viewed as an effort to convince the visiting delegation that the Seattle Police Department was competent to provide security, rather than an opportunity to gather factual information about the meeting.

There was no subsequent police involvement with the proposed conference until after the announcement of the selection of Seattle at the end of January, 1999. Shortly after that announcement, Burdena Pasenelli, the agent-in-charge at the Seattle office of the Federal Bureau of Investigation, held a meeting the discuss the

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<sup>18</sup> Interview with Maud Daudon, July 12, 2000, p. 12 ("The difference between the two [the original budget and the reduced supplemental budget] really had to do with venue security, and it was driven off numbers of heads of state that were going to come to Seattle. At that point in time, the indications were that there weren't going to be very many heads of state.")

<sup>19</sup> Memo from Stephen H. Johnson to Mike Williams and Peter Rubin, September 23, 1999

<sup>20</sup> "The Battle in Seattle", Richard Odenthal, p. 16-17 (Odenthal lists eleven criticisms, most focusing on failures of planning.)

<sup>21</sup> World Trade Organization 1999 Ministerial Conference, Site Inspection Itinerary, September 30 - October 2, 1998 (Friday, October 2, 1998, 10:00 a.m. "Meeting at the World Trade Center with Seattle Police Department Special Events Unit Capt. Harv Ferguson and Lt. Bill Moffett to discuss security, motorcades, secret service liaison.")

<sup>22</sup> Interview with Kathy Paxton, April 17, 2000, p. 13 ("It was at this meeting - that was where the SPD reps were there ... And that was the meeting where they started talking about security and Jacques Chaubert, who's the director of finance and administration, said 'well, what about security? That building is open to the public, and there were terrible problems in Geneva, there were demonstrations, violent demonstrations, they even burned a car', and we all sort of went 'whoa!' That was the first we'd heard of it.")

security challenges presented by the conference.<sup>23</sup> She discussed the civil disturbances that had occurred at the Geneva meeting, and the likelihood that they would be repeated in Seattle.

One of the participants at that meeting, Jackson Beard from the King County Sheriff's Office, left with some concerns and did some additional research on the WTO. He concluded in a Feb. 16, 1999 memo to the sheriff that, "Even a peaceful and orderly conference would tax local law enforcement resources." Predicting substantial costs, he suggested that "The three chief executive officers of the principal law enforcement agencies in this state combine their voices and communicate in writing to Executive Sims, Mayor Schell, Governor Locke, the WCIT, and the World Trade Organization our concerns about the unfunded costs of providing law enforcement services to this conference."<sup>24</sup>

At least one other law enforcement official reports leaving the FBI meeting with the same concerns. Assistant Chief Ed Joiner, however, who attended for the Seattle Police Department, does not recall any discussion of Geneva and has said that he was not aware of the civil disturbances there until later in the spring of 1999. The Seattle Police Department continued to develop budgets based on the escort requirements for the foreign dignitaries expected to attend the conference. Despite concerns expressed by some members of the department, Chief Joiner and others involved in the planning process did not focus on the budget for demonstration management until early summer of 1999.

Unlike other agencies involved in the process, the Seattle Police Department did prepare budgets for its participation in the conference. Those budgets left its own officers woefully ill-equipped to deal with the challenges that they faced, but Chief Joiner insists that was the result of naivete rather than the result of being given inadequate resources.

### **The Seattle City Council**

The Seattle City Council did not have a role in the financial planning for the World Trade Organization meetings. Individual members of the council did assist during the pre-bid phase, by entertaining the visitors from Washington and Geneva, but there is no indication that those council members were involved in planning or in preparation of the bid. There is no record of anyone on the council expressing any concerns about the conference until the first briefing, held on March 29, 1999, when representatives from the mayor's office, police department, and the Office of Intergovernmental Relations provided a formal review of the state of the planning process.

At the meeting on March 29, 1999, several councilmembers expressed concern that the security demands for the conference would stretch the Seattle Police Department too thin, leaving parts of the city without adequate protection. Councilmembers were told about the efforts to obtain federal funds, and Councilmember Martha Choe requested that the Office of Intergovernmental Relations prepare MOUs with the Washington Council on International Trade, asking that it cover all WTO-related costs, and with federal agencies. She requested that these MOUs be provided to the city council for approval prior to distributing them to the affected parties.

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<sup>23</sup> Letter from Burdena Pasenelli to Norm Stamper, February 5, 1999 ("I would like to take this opportunity to confirm, in writing, your presence at our inaugural meeting of the law enforcement/public safety Executive Committee for the WTO conference...The meeting, at my office in the Federal Building ... will began (sic) at 9:30 a.m. on Friday, February 12, 1999, and will conclude no later than 11:30 a.m.")

<sup>24</sup> Memo from Jackson Beard re: World Trade Organization Biannual Ministerial Conference, February 16, 1999.



That request was never acted upon. Cliff Traisman, director of Office of Intergovernmental Relations, said that he determined that it was too late in the process to negotiate over those agreements, and so did not proceed.<sup>25</sup> Councilmember Choe does not remember what happened to her request, or whether she ever inquired further.

In hindsight, it appears that the request from that council briefing did represent a genuine effort to ensure that the citizens of Seattle were protected as planning for the conference got underway. Following through on that request might have brought out the unresolved issues that created so much difficulty later and possibly prodded the Seattle Police Department into a broader analysis of the challenge it was facing.

### **Federal Agencies**

The original invitation to the World Trade organization came from the White House. The agency normally charged with dealing with the WTO is the office of the U.S. Trade Representative. The U.S. State Department had an important role in assisting with the conference planning because it has more staff in that area than the relatively small Trade Representative's Office.

These agencies were as fragmented in their efforts to organize the conference as the planners in Seattle. The WTO itself did not have an experienced staff in this area, and the federal officials were more familiar with issues involving U.S. attendance at foreign gatherings than with the requirements for hosting a major event in the U.S.

The initial site selection process reflects some of that lack of experience. Officials emphasized saving money for the federal government by looking for the best financial package. But in selecting the generous financial package offered by the Washington Council on International Trade, they did not ask for any financial guarantees, or a contract that would have defined the sources of funds and the responsibility for unanticipated costs.

Nor did State Department officials ask for any commitment from the city. They apparently assumed that city officials' involvement in lobbying for the conference represented city support for the event. In fact, requiring formal city approval might have produced a very different response.

Immediately after the selection of Seattle as the site for the conference, the Office of the U.S. Trade Representative did ask for a memorandum of agreement with the city. The proposed draft illustrates confusion on the part of the agency as to the role of the city in hosting the conference. That draft assigns all of the financial responsibility for the event to the city, ignoring the fact that the Washington Council on International Trade had committed to underwriting the organizational costs. Once that relationship was clarified the agency continued to ask for agreements with the city and with the Seattle Host Organization, but the drafting work went slowly and the agreements were never signed. If the U.S. Trade Representative had pressed the point, the process of working through those agreements would have defined financial responsibilities and revealed some of the areas of planning that were not being adequately accounted for at that time.

The federal confusion continued right up to the eve of the conference. In early November, 1999, officials in the White House became concerned that preparations for the conference were stalled for lack of funds. Washington's Representatives Norm Dicks and Jim McDermott were called to the White House for what

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<sup>25</sup> Interview with Cliff Traisman and Keith Orton, June 26, 2000, p. 3 ("...and we never acted on it (the MOU). And I think the reason we never acted on it due more to the fact that that's the type of memorandum of understanding we would want prior to engaging in a bid, if you will.")

McDermott described as a “very difficult meeting.” Both Dicks and McDermott called the mayor to relay the White House’s concern over the finances. The mayor wrote back on Nov. 8, saying that, “I would like to clear up some apparent misunderstandings about my role as the Mayor of Seattle in hosting this important event,” and pointing out that the funds were the responsibility of the Seattle Host Committee, not the city. Those misunderstandings had been around for at least a year, and derived from the failure of the parties involved to require a clear statement of financial responsibility early on.

## **Conclusion**

The mayor’s office, the Washington Council on International Trade, the Seattle Host Organization, the Seattle Police Department, the Seattle City Council, and various federal agencies all shared responsibility for planning the World Trade Organization conference in Seattle. Their planning failed, in part, because from the very beginning those agencies failed to prepare appropriate budgets for the event.

A comprehensive budget for the event would have defined the tasks to be done and the responsibility for those tasks. In the case of the World Trade Organization conference, the tasks were not well-defined and the responsibility for costs was left vague. In the end, the planning was poorly coordinated, and Seattle taxpayers will end up paying most of the costs.

Any one of these organizations could have raised strong concerns early in the process about the finances of the event. If the city council had insisted on financial protections for city taxpayers, if the police department had asked for larger budgets to ensure that its officers had adequate backup, or if the U.S. Trade Representative had demanded that its MOU be signed early in the process, those demands would likely have triggered an overall review of the financial implications of the conference by everyone involved. That review would have led to action to deal with the foreseeable problems.

## Appendix A. World Trade Organization Budget Timeline

September, 2000

*The timeline below lists the steps in the evolution of the budget for the World Trade Organization Third Ministerial, held in Seattle from Nov.30 through Dec. 3, 1999. It is intended only to provide an approximate picture of how the budget developed. The estimates of the costs grew erratically, with many different agencies involved, and in some cases, agencies working with different estimates at the same time.*

*This timeline ends just prior to the event. There were substantial damages incurred by downtown businesses, and additional security costs incurred during the meetings. The City of Seattle has paid out approximately \$25,000 in the settlement of legal claims related to the event, and more claims are pending. The Seattle Host Organization has paid \$320,000 to the city as a partial (and final) payment on its original commitment of \$1.5 million toward the cost of security.*

WTO – World Trade Organization  
WCIT – Washington Council on International Trade  
SHO – Seattle Host Organization  
SPD – Seattle Police Department  
SFD – Seattle Fire Department  
OIR – Seattle Office of Intergovernmental Relations  
ESD – Executive Services Department (includes budget office)  
CBO – Seattle City Budget Office  
USTR – United States Trade Representative

### **November 10, 1998      Total Cost: unknown      Security Cost: \$500,000**

In a draft budget, put together for the visiting group, security costs are estimated at \$500,000.

A draft memorandum from Office of Intergovernmental Relations (Cliff Traisman and Keith Orton) to Mayor Schell outlines speaking points for Mayor Schell's Nov. 12<sup>th</sup> meeting with the WTO site selection team (which includes WTO, USTR, and State Dept. representatives). The memo cautions against mentioning reimbursement, stating that "Some State Department officials are still angry about the fact that after the APEC meetings, the Seattle congressional delegation attached a rider to the State Department's budget reimbursing Seattle for about \$1.7 million in security costs." Traisman/Orton suggest countering that APEC featured 13 heads of states who required motorcades whereas WTO attendees are only ministerial delegates with minimal transportation needs.

### **December 16, 1998      Total Cost: \$9.2 Million      Security Cost: \$1.5 Million**

Seattle's final proposal on to host the WTO Ministerial includes an estimate of \$1.5 million for security "based on prior experience," to be given to agencies.

### **February 10, 1999      Total Cost: \$9.2 Million      Security Cost: \$1.5 Million**

Memo from Cliff Traisman to Mayor Schell and Council President Sue Donaldson states, "the WTO meetings will affect a number of City Departments (and might have significant

budget impacts for some), ” and offers examples including the fact that the Police Dept. had already created a WTO team. The memo also states that if heads of state in addition to Clinton and Gore decide to participate, “the security requirements will quickly escalate.”

- March 17, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
City Budget Office (CBO) preliminary estimates put security costs at \$3-\$4 million assuming 10-15 heads of state participate. The estimate is loosely based on 1993 APEC Conference experience, but CBO acknowledges that the WTO will be more logistically complex. Other assumptions include: The primary driver will be the number of heads of state; 10-15 heads of state are likely to participate based on the 1998 WTO event in Geneva; and Clinton and Gore will attend. The estimate does not include “costs of any large city-sponsored event or celebrations that may be held in conjunction with WTO.”
- March 28, 1999**                      **Total Cost: \$11.2 Million**                      **Security Costs: \$3.5 Million**  
OIR prepares draft of letter for Washington State’s congressional delegation regarding the need for federal reimbursement for WTO security costs. The draft notes that Seattle will be seeking \$1.5 million from the Edward Byrne Memorial State and Local Law Enforcement Assistance Program. Seattle will also ask to be put into the State Department’s Contract Cities Program, which apparently offers some reimbursement for costs related to visiting foreign dignitaries.
- March 31, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
Washington’s Representative Jim McDermott writes to the chair and ranking member of the U.S. Congress Appropriations Committee asking for the two items noted above.
- April 1, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
A letter is sent from Schell and Donaldson to Sen. Gorton outlining Seattle federal funding priorities. They mention that the city will have primary responsibility for security for delegations and heads of state. They state that the SHO “has pledged \$1.5 m to offset security costs,” but that “the costs of this service will **significantly exceed this budget**, particularly if foreign heads of state attend.” They request his assistance in determining “how the city will be reimbursed for costs exceeding our pledge.”
- April 8, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
Don Taylor, Washington State Dept. of Revenue, faxes estimates of WTO conference revenue impacts arising from sales, rental car, and hotel/motel taxes and B&O taxes to Keith Orton (OIR). He estimates the total revenue increase at \$622,160 to state government and \$246,000 to local government.
- April 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
SHO April Status Report (May 7)
- Larry Clarkson, Fundraising Committee chair, reports 30 companies have indicated their willingness to support or have donated towards WTO/SHO activities; estimates this will reach one third to one half of the goal.
  - The Transportation Committee reports that they have met with the “Security Committee” (chaired by Ed Joiner, SPD) regarding delegate and traffic clearance problems.

- May, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
 SHO May Status Report (June 10, 1999):
- The WA State Legislature allocated \$970,000, “an amount equal to the rent and buildout of the Convention Center to be used by WTO.”
  - Fundraising includes international targets (Canadian, Japanese, Hong Kong, Korean, European companies)
  - The Fundraising Committee reports that “commitments to date, and indications from our follow up conversations with various companies, show we are almost halfway there, with \$4.4 million.”
- The amount pledged from the state apparently offset costs budgeted by the SHO and so did not represent a net increase in costs.
- May 25, 1999**                      **Total Cost: \$11.2 Million**                      **Security Cost: \$3.5 Million**  
 Keith Orton (OIR) sends e-mail expressing concern about whether WTO will be designated a “National Priority Security Event” if more heads of state don’t come. He expresses confusion over whether the designation has financial implications.
- June, 1999**                      **Total Cost: \$14.8 Million**                      **Security Cost: \$7 Million**  
 Police Department documents show a budget slightly over \$7 million in June, including \$5.5 million in personnel costs and about \$1.5 in equipment costs.
- July 8, 1999**                      **Total Cost: \$14.8 Million**                      **Security Cost: \$7 Million**  
 Five Washington members of Congress send a letter to the House Subcommittee on Commerce, Justice, State and Judiciary, Appropriations Committee requesting inclusion of statutory language to direct the Dept. of State to “reimburse the City of Seattle for expenses incurred by the region for providing security for the foreign delegations...”. The letter states that the Seattle community has pledged to raise \$1.5 million to offset security costs but that this may not be enough as cost estimates have risen dramatically now that several heads of state may attend, and could exceed \$5 million. It notes that the City and the Dept. of State recently executed a cooperative agreement for any cost reimbursement.
- July 13, 1999**                      **Total Cost: \$14.8 Million**                      **Security Cost: \$7 Million**  
 Seattle Police planners estimate resources lined up from other agencies are at approximately \$3 million.
- July 15, 1999**                      **Total Cost: \$18.5 Million**                      **Security Cost: \$10.7 Million**  
 The Seattle Fire Department’s authorized WTO budget is set at \$673,960.
- July 22, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Police cost estimates have been reduced by about \$500,000 as the department finds other ways to obtain the required equipment.
- A memo is sent from Dwight Dively, director of the city budget office, regarding how to account for various WTO expenses and identifying those resources that can be used without being charged to WTO. Dively’s memo responds to one from David Kerrigan (ESD) noting that an effort is underway to collect each department’s WTO anticipated expenses and that . . . “not too surprisingly, SFD and SPD came up with several million dollars worth of requests for goods and services. Cliff Traisman and Maude said it was the expectation of the Mayor’s Office that those numbers would come way down. At which, Chief Joiner quickly said that if they could get these resources (or some of them) from other city departments, that would bring the numbers way down.”

- July 27, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
The Seattle Police Department sends letters to jurisdictions supporting the security effort (at least the letter to King County went out that day), noting that the “assistance of several other law enforcement agencies” will be needed and that “a coordinated attempt to obtain reimbursement for public safety costs for the World Trade Organization Conference has been initiated by the City of Seattle’s Office of Intergovernmental Affairs.” The letter commits to a “proportionate sharing with these agencies of any private and public funds obtained.”
- Seattle Fire Department develops an initial budget of \$673,000 for WTO.
- Aug. 2, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
Memo from David Kerrigan in ESD about how to account for WTO costs. The Police Department After Action Report shows a reduction in budgeted police costs of nearly \$1 million in August. At a meeting in the Mayor’s office on August 2, Deputy Mayor Maud Daudon selected a budget option that reduced police staffing. That reduced number, however, was apparently developed for planning the city’s supplemental budget and it did not alter the financial planning within the department.
- Aug. 2, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
E-mail from Peter Rubin in Washington, D.C. to Steve Johnson in OIR notes language in the legislation that would require the U.S. State Dept. to reimburse local agencies “through the City of Seattle” for WTO security expenses.
- Aug. 18, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
E-mail from David Kerrigan notes that the SHO is “falling far short of their fund-raising goal.” He also states that the SPD has requested that businesses in the Convention Center be closed for the meetings and that those businesses will have to be compensated. He concludes, “Bottom line: We shouldn’t count on any of the projected \$1.5 million to cover SPD costs.”
- Aug. 23, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
E-mail from Greg Peterson says “the total cost estimate for WTO is down to \$4.224 million,” referring to the amount shown in the supplemental budget.
- Aug. 25, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
In a memo, Doug Carey (ESD) agrees that no money is likely from the SHO, but he suggests that there may be a “Congressional earmark for all regional participants; i.e., Seattle, Tukwila and Bellevue PD and King County Sheriff (State Patrol is receiving an appropriation from the State.).”
- Aug. 26, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
Memo from Doug Carey (ESD) saying that decision has been made to budget \$1.5 million in revenue from the SHO and nothing from the federal government.
- Aug. 30, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
Memo from Steve Johnson notes that the city is facing “a potential \$5.5 million responsibility”

- Aug. 31, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Letter from Ray Waldmann, director of the Seattle Host Organization, to Lt. Dick Reed at the Seattle Police Dept., says that fundraising was behind and the budgets (including the \$1.5 million for security) may be cut. Waldmann also notes that the cost for security measures at some venues may cut into the \$1.5 million originally budgeted for local security agencies, and that the city's share will be paid only after other bills have been settled.
- Sept. 9, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Nine members of the Washington State Congressional delegation write to a member of the House Appropriations Committee asking for funds to reimburse Seattle for security costs.
- Sept. 9, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 "WTO Expenditure Estimate Form," from the Police Dept., lists estimated costs for SPD, WA State Patrol, King Co. Sheriff, Bellevue PD, Tacoma PD, Tukwila PD and Port of Seattle. Estimated costs divided by activity (planning, operational, training, after action) and type of expense (within base budget, in addition to base budget, labor vs. capital). The total security costs for all agencies come to \$9.846 million. This does not include Seattle's other, non-security, costs.
- Sept. 10, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 E-mail from Greg Petersen in ESD lists total costs to the City of Seattle as \$6.084 million. In this document, Seattle Police Department WTO expenses are listed at \$5.264 million. The additional Seattle expenses are the Fire Dept. (\$673,960), the Seattle Center, the Parks Dept., and others.
- Sept. 10, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Memo from Greg Petersen to Steve Johnson in OIR confirming that the estimate of Fire Dept. expenses reflects real costs, independent of how events unfold.
- Sept. 21, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Memo from Ben McMakin (Senator Murray's Office) to Steve Johnson in OIR, reporting on a meeting with the U.S. Trade Representative (USTR). He says that USTR "wants to be helpful" and that a security evaluation of the event then underway "will help unlock federal resources." He also notes an upcoming meeting with the White House to discuss the threat assessment and "make sure they are stressing to the Hill the importance of the \$5 million in CSJ appropriations."
- Sept. 21, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Memo from Tim Hatley in King County to Clifford Traisman (OIR) describing the need for a written agreement "regarding potential reimbursement dollars." The memo is followed by e-mails between Clifford Traisman and Maud Daudon regarding the form of that agreement.
- Sept. 24, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
 Memo from Doug Carey in the Budget Office outlines a request to the City Council for supplemental expenditure authority. The request is for a total of \$3,024,156 in supplemental money (this is in addition to the resources allocated from pre-existing department authorizations, referred to as base budgets). The request lists supplemental expenditures required in five departments, including the Police Department, which is listed as requiring an additional \$2,249,843. That list is followed by a somewhat confusing paragraph on potential reimbursement

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**“Reimbursement:** The Mayor’s 2000 Proposed Budget assumes \$1.5 million in cost recovery, since the revenue would not be anticipated until then. Several potential sources have been contacted for this financial support. The entire estimated amount is budgeted for security by the Seattle Host Organization. Another potential source of cost recovery is the federal government. OIR is working with other jurisdictions and the Washington Congressional delegation to secure that financial support, which would then be allocated among the various jurisdictions providing security coverage for the event. The Mayor and the Fire Department have requested partial cost recovery from the Public Health Service and the Federal Emergency Management Administration.”

**Sept. 27, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

In a memo to the mayor’s office, Doug Carey noted a question he had received from the Seattle Times as to what other funds were committed in addition to the supplemental request. He replied that “about the same amount (\$3M) was being spent” from the base budgets.

**Oct. 6, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

Memo from Steve Johnson (OIR) to “WTO Congressional Staff” makes several points: Local governments will be spending \$9.4 million for the WTO. Those governments will receive about \$235,000 in additional tax revenues from the event, and are hoping for federal reimbursement of about \$2.5 million.

**Oct. 8, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

The weekly report from the Office of Intergovernmental Relations to the Mayor’s Office notes that “National Special Security Event” status has been given to the WTO meetings. “This means that . . . federal agencies will be able to commit more manpower and equipment to the event.” Previous memos had suggested that this designation might free up federal funds for security cost reimbursement, but that is not mentioned in this document.

**Oct. 12, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

Memo from Greg Petersen to Doug Carey (Budget Office) responds to the question as to what would happen to the budget if 15 more heads of state decided to come to the WTO meetings. Petersen says it wouldn’t have such a big impact, since the Police Department is already pledging all of its resources, and the additional work would probably fall on other jurisdictions.

**Oct. 12, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

City requests various items from King County, including busses, vans, a tow truck and Kingdome parking.

**Oct. 20, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

Peter Peyser (who appears to be a lobbyist for the city) sends e-mail to Clifford Traisman (OIR) noting that a recent appropriations bill did not include the language that would provide money to Seattle. He notes, however, that the legislation may be vetoed, leaving another opportunity to get support for Seattle included.

**Oct. 25, 1999**

**Total Cost: \$18 Million**

**Security Cost: \$10.2 Million**

A follow-up e-mail from Peter Peyser says that changing the language will be difficult, but maybe Senator Murray and Representative McDermott will be able to convince two senators



on the Appropriations Committee to put some pressure on the State Dept. for a Seattle reimbursement.

- Oct. 26, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
Doug Carey (Budget Office) e-mail to Steve Johnson (OIR) acknowledging the diminished prospects for federal reimbursement, and suggesting that the \$1.5 million reimbursement from the SHO be left in the budget for now, rather than raise new questions from the Council.
- Oct. 29, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
In a letter to “Seattle Business Owners,” Mayor Schell estimates costs to the City as approximately \$6 million for public safety.
- Nov. 5, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
E-mail from George Behan (a Congressional staffer for Norm Dicks?) to Steve Johnson (OIR) apologizes for the “adversarial” tone of the phone call from Rep. Dicks to Mayor Schell. “The WH folks put them (Rep. Dicks and Rep. McDermott) on the spot with the dire predictions of what would happen if these contracts can’t be signed fairly soon, and Norm reacted quickly.” According to the e-mail Rep. Dicks followed his call to Schell with calls to Microsoft, Boeing and the Port in an effort to find a line of credit that could fund the expenses yet to be contracted for. The e-mail also talks about federal reimbursement without much optimism.
- Nov. 10, 1999**                      **Total Cost: \$18 Million**                      **Security Cost: \$10.2 Million**  
Memos between David Kerrigan (ESD) and Doug Carey (Budget Office) discuss King County’s response to the city’s request for various items, noting that the county would like to provide some of them as reimbursable items.
- The Federal Government spends approximately \$1 million to support busses, convention center security and convention center build-out. This is primarily money that would otherwise have been paid by the Seattle Host Organization, which now has no funds for paying additional costs.
- Nov. 29, 1999**                      **Total Cost: \$19 Million**                      **Security Cost: \$11.2 Million**  
Memo from David Kerrigan to Doug Carey (Budget Office) notes that the State of Washington has implemented the State Fire Mobilization Plan, which he says will involve approximately \$750,000 in state-supplied resources. At the same time, the Seattle Fire Department budget has increased by over \$300,000.